

SPRING HILL RECREATION COMMISSION

Spring Hill, Kansas

Financial Statements

For the Year Ended June 30, 2019

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

Financial Statements
For the Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Spring Hill Recreation Commission
Spring Hill, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Spring Hill Recreation Commission (the Commission), a related municipal entity of the Spring Hill Unified School District No. 230, Spring Hill, Kansas, as of and for the year ended June 30, 2019, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Commission on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Commission as of June 30, 2019, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Commission as of June 30, 2019, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statements) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Matter

The 2018 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2018 basic financial statement upon which we rendered an unmodified opinion dated January 16, 2019. The 2018 basic financial statements and our accompanying report are not presented herein, but are available in electronic form from the website of the Kansas Department of Administration at <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. Such 2018 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 basic financial statements. The 2018 comparative information was subjected to auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 basic financial statements or to the 2018 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2018 comparative information is fairly presented in all material respects in relation to the 2018 basic financial statements as a whole, on the basis of accounting described in Note 1.

Mike Houser: Company PA

Certified Public Accountants
Lawrence, Kansas

December 4, 2019

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2019

<u>Fund</u>	Beginning Unencumbered Cash <u>Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	Ending Unencumbered Cash <u>Balance</u>	Add: Outstanding Encumbrances and Accounts <u>Payable</u>	Ending Cash <u>Balance</u>
General Fund:						
General	\$ 385,494	\$ 824,645	\$ 681,846	\$ 528,293	\$ -	\$ 528,293
Special Purpose Fund:						
Program	34,292	103,902	97,777	40,417	-	40,417
Employee Benefit	<u>402,379</u>	<u>29,296</u>	<u>109,706</u>	<u>321,969</u>	<u>-</u>	<u>321,969</u>
Total	<u>\$ 822,165</u>	<u>\$ 957,843</u>	<u>\$ 889,329</u>	<u>\$ 890,679</u>	<u>\$ -</u>	<u>\$ 890,679</u>

Composition of Cash

State Bank of Spring Hill	
Operations Checking	\$ 425,770
Program Checking	40,417
Employee Benefit Checking	321,969
CIP Checking	<u>102,523</u>
Total Cash	<u>\$ 890,679</u>

The notes to the financial statements are an integral part of this statement.

SPRING HILL RECREATION COMMISSION

Notes to the Financial Statements For the Year Ended June 30, 2019

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

Spring Hill Recreation Commission (the Commission) is a related municipal entity of the Unified School District No. 230 (the District), Spring Hill, Kansas. The Commission operates as a separate governing body but the District levies the tax for the Commission and the Commission has only the powers granted by statutes, K.S.A. 12-1928. The Commission cannot purchase real property but can acquire real property by gift. The five members of the Commission's governing body are appointed as follows: two by the District, two by the City of Spring Hill, and one at-large member appointed by the other members. The Commission has no related municipal entities.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c) waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis for accounting.

Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the Commission for the year ended June 30, 2019:

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

SPRING HILL RECREATION COMMISSION

Notes to the Financial Statements For the Year Ended June 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, and special purpose funds (unless specifically exempted by statute). The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended June 30, 2019.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the Commission for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for the Program Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 2 - Deposits and Investments

Deposits. K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institutions has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

Investments. K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices. As of June 30, 2019, the Commission held no investments.

SPRING HILL RECREATION COMMISSION

Notes to the Financial Statements For the Year Ended June 30, 2019

NOTE 2 - Deposits and Investments (Continued)

Concentration of credit risk. State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Commission has no designated "peak periods."

At June 30, 2019, the Commission's carrying amount of deposits was \$890,679 and the bank balance was \$955,985. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$352,523 was covered by federal depository insurance, and \$603,462 was collateralized with securities held by the pledging financial institutions' agents in the Commission's name.

NOTE 3 - Compensated Absences

The Commission's policy regarding sick pay is to grant personnel sick leave at 12 days a year. Compensation is paid out for unused sick days at termination at the employee's current rate of pay times 20% of the sick days accumulated. The Commission allows vacation leave at 10 days per year. After five years of service, vacation leave increases to 15 days per year. Unused vacation days are paid out in full to terminated employees. The Commission's estimated liability for compensated absences as of June 30, 2019 was \$9,906.

NOTE 4 - Defined Benefit Pension Plan

Plan Description. The Commission participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, etc. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that employee contributions rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 8.39% for the fiscal year ended June 30, 2019. Contributions to the pension plan from the Recreation Commission were \$25,472 for the year ended June 30, 2019.

SPRING HILL RECREATION COMMISSION

Notes to the Financial Statements For the Year Ended June 30, 2019

NOTE 4 - Defined Benefit Pension Plan (Continued)

Net Pension Liability

At June 30, 2019, the Commission's proportionate share of the collective net pension liability reported by KPERS was \$192,664. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The Commission's proportion of the net pension liability was based on the ratio of the Commission's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS for the fiscal year ended June 30, 2018. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

NOTE 5 - Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries commercial insurance for risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 - Lease Commitments

The Commission has a lease on its administrative offices through October 31, 2019. During the year ended June 30, 2019, the Commission paid \$8,340 for the office lease. Future maturities of lease payments are:

<u>Fiscal Year</u>	
2020	<u>\$ 2,780</u>

NOTE 7 - Related Party Transaction

During the year ended June 30, 2019, the Commission paid \$44 for automotive repair services to a company owned by a Commission member.

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2019

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Over [Under]</u>
General Fund:					
General	\$ 1,040,000	\$ -	\$ 1,040,000	\$ 681,846	\$ 358,154
Special Purpose Fund:					
Employee Benefit	325,000	-	325,000	109,706	215,294

The notes to the financial statements are an integral part of this statement.

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

Schedule of Receipts and Expenditures - Actual and Budget
General Fund
Regulatory Basis
For the Year Ended June 30, 2019
(With Comparative Actual Amounts For the Year Ended June 30, 2018)

		Current Year		Variance
	Prior Year	Actual	Budget	Over
	Actual			[Under]
Receipts				
Ad valorem tax	\$ 472,763	\$ 758,842	\$ 660,362	\$ 98,480
Delinquent tax	1,014	3,212	2,811	401
Motor vehicle tax	54,946	62,382	92,286	[29,904]
Interest income	148	209	-	209
Total Receipts	528,871	824,645	\$ 755,459	\$ 69,186
Expenditures				
Salaries	261,872	286,169	\$ 298,000	\$ 11,831
Membership dues and fees	2,672	3,828	4,000	172
Playground and ball field maintenance	69,944	158,107	207,000	48,893
Advertising	5,574	9,432	9,000	[432]
Capital outlay for equipment	13,962	25,603	41,000	15,397
Insurance	18,983	33,932	26,000	[7,932]
Office and administrative expense	44,004	58,997	62,500	3,503
Software services and computer maintenance	12,441	16,858	28,500	11,642
Conferences, training and travel	30,058	46,175	17,000	[29,175]
Professional fees	11,240	21,369	12,000	[9,369]
Miscellaneous expenses	14,103	21,376	35,000	13,624
Cash reserve	-	-	300,000	300,000
Total Expenditures	484,853	681,846	\$ 1,040,000	\$ 358,154
Receipts Over [Under] Expenditures	44,018	142,799		
Unencumbered Cash, Beginning	341,476	385,494		
Unencumbered Cash, Ending	\$ 385,494	\$ 528,293		

The notes to the financial statements are an integral part of this statement.

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

Schedule of Receipts and Expenditures - Actual
Program Fund*
Regulatory Basis
For the Years Ended June 30, 2019 and 2018

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Fees	\$ 87,447	\$ 93,953
Sponsorships	<u>15,825</u>	<u>9,949</u>
Total Receipts	<u>103,272</u>	<u>103,902</u>
Expenditures		
Direct program costs	<u>105,299</u>	<u>97,777</u>
Total Expenditures	<u>105,299</u>	<u>97,777</u>
Receipts Over [Under] Expenditures	[2,027]	6,125
Unencumbered Cash, Beginning	<u>36,319</u>	<u>34,292</u>
Unencumbered Cash, Ending	<u>\$ 34,292</u>	<u>\$ 40,417</u>

* This fund is not required to be budgeted.

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

Schedule of Receipts and Expenditures - Actual and Budget
Employee Benefit Fund
Regulatory Basis
For the Year Ended June 30, 2019
(With Comparative Actual Amounts For the Year Ended June 30, 2018)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Ad valorem tax	\$ 168,097	\$ 6,825	\$ 1,541	\$ 5,284
Delinquent tax	363	1,045	1,000	45
Motor vehicle tax	19,341	21,426	32,794	[11,368]
Total Receipts	187,801	29,296	\$ 35,335	\$ [6,039]
Expenditures				
Health insurance	54,821	55,948	\$ 65,000	\$ 9,052
Social security	22,367	24,120	25,000	880
KPERS	22,808	25,472	25,000	[472]
Unemployment insurance	346	306	1,000	694
Workers compensation insurance	3,151	2,477	4,000	1,523
Employee tuition reimbursement	-	1,383	5,000	3,617
Cash reserve	-	-	200,000	200,000
Total Expenditures	103,493	109,706	\$ 325,000	\$ 215,294
Receipts Over [Under] Expenditures	84,308	[80,410]		
Unencumbered Cash, Beginning	318,071	402,379		
Unencumbered Cash, Ending	\$ 402,379	\$ 321,969		

The notes to the financial statements are an integral part of this statement.